

# **NONHOMOTHETIC PREFERENCES, GROWTH, TRADE AND LAND\***

**Cristina Echevarría\*\***

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Correspondence to: Cristina Echevarria  
Department of Economics  
University of Saskatchewan  
9 Campus Drive  
Saskatoon, SK  
S7N 5A5 Canada  
E-mail: echevarr@duke.usak.ca

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\*\*C. Echevarría: University of Saskatchewan and University of Alicante.

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## **A B S T R A C T**

Nonhomothetic preferences with minimums of subsistence imply rates of investment that increase with the level of income, and thus a positive correlation between growth rates and the level of income, at low levels of income. The existence of this positive correlation for a closed economy was already shown in a previous paper. The purpose of this paper is to show that, if we introduce land -a scarce resource that cannot be accumulated- in the model, this positive correlation exists for an open economy as well.

**KEYWORDS:** Subsistence Minimums; Investment Rates.